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Richard D. Lawson
Director
Federal Regulatory Relations
United Telephone Companies

EX PARTE

October 1, 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M. Street, N.W., Room 222
Washington, DC 20554

RE: In the Matter of Billed Party Preference
for 0+ InterLATA Calls, CC Docket No. 92-77

Dear Mr. Caton,

As requested by the Common Carrier Bureau, the United and Central Telephone companies, which comprise the Sprint Local Telecommunications Division (Sprint LTD), have estimated the costs they will incur to implement Billed Party Preference. Attached are these estimates and explanations of the assumptions upon which the estimates are based.

The assumptions contain many qualifiers. The qualifiers are necessary because the service design of Billed Party Preference is unclear. Without fully understanding the technical and human resource requirements of the service, Sprint LTD must offer only broad gauges of costs that reflect the more capital and labor intensive scenarios. Actual costs could be significantly less. There is also the possibility that costs could be even higher than estimated if, for example, OSS7 signaling were required from end offices.

Sprint LTD requests that this letter and the attached material be made a part of the record in the proceeding described above.

Sincerely,

Richard D. Lawson
Director -
Federal Regulatory Relations

Attachment

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List ABCDE

Billed Party Preference
Implementation Costs

Narrative

Since there is no firm BPP service design associated with the FCC's request for BPP quantification, the following cost estimates are based on current price quotations for similar technology and on broad gauge pricing from current vendors (which may decrease), and include the appropriate Sprint LTD indirect expenses (i.e., taxes, engineering time, testing, etc.). Vendors are hesitant to provide cost estimates since a consensus service description is not yet available. (See implementation cost spreadsheet for cost per site or number and estimated cost.)

ONE TIME CAPITAL AND SOFTWARE EXPENSE:

1. AABS Functionality:

With BPP, AABS functionality becomes an essential requirement at all operator hosts/OC remotes. The AABS product currently deployed in Sprint's local network (3 sites) is not planned for any enhancements by the vendor and may have to be replaced in order to provide the feature functionality required under BPP. Thus, Sprint LTD cost estimates assume replacement of its existing AABS product in three operator tandem locations and addition of AABS functionality in the remaining twenty eight operator tandem locations.

2. OSS7 Capability/Direct Credit Card Routing:

Although SS7 may not be the only signaling protocol that is offered for signaling to the IXCs, modifications to the existing signaling arrangements will be required to support the transfer of message detail to the IXCs, and Sprint LTD cost estimates reflect such modifications. Switch software enhancements may also be required to route CIID and 891 credit card calls directly to the IXCs. Such enhancements have also been estimated and reflected in the Sprint LTD cost estimate.

3. New STP Pairs:

Assuming OSS7 signaling is required at the operator host and OC remotes, at least two new locations in the Sprint LTD network may require the addition of local STPs to support the additional signaling requirements. Thus, Sprint LTD assumes two additional STP pairs in its cost estimate.

4. Tandem Upgrades:

Although memory impacts on switch processors are not quantified at this time since the BPP service design is not finalized, new switch requirements of this nature will likely exhaust the memory of the existing switch processors. This potential is increased in the Sprint LTD network since only three of the operator hosts/remotes are stand-alone DMS 200 switches. The remaining offices are DMS 100/200 switches that perform both local and toll functions. Our current assumption reflected in cost estimates is that fifteen of the tandem switches will require processor upgrades as a direct result of BPP.

5. Operator Positions:

Even with AABS deployed at all Sprint LTD operator centers, it is anticipated that at least 100 operator positions will be added to the network to support the increased operator traffic. In this instance, the assumption does not include the completion of 0+ calls for any IXC. If this were to be the case, Sprint LTD's estimate would increase.

6. LIDB/DBAS Modifications/Upgrade:

Considering the fact that the LIDB and 800 functions currently reside in the same SCP for Sprint LTD, BPP functionality is anticipated to exhaust the current handling capacity. Upgrades of the current system are reflected in the accompanying cost estimate.

7. SOE/CRB and DBAS Feed Modifications:

Modifications to the existing Service Order Entry system and DBAS extract are extremely difficult to quantify pending a final service design. The estimate of $2 million does not reflect the necessary enhancements to support 14 digit screening for multiple PINs on the same billing telephone number. Should such a requirement become a part of the BPP service design, Sprint LTD would need to perform additional study to determine the cost impact.

8. Billing System Modifications:

As with Service Order Entry modifications, billing modifications are very speculative until a service design is firm.

9. Balloting Process:

The accompanying cost estimate reflects a customer notification via bill insert only.

If a ballot process were required to implement BPP, the year one expense would instead be $7,650,000 ($1.50 per customer X 5.1 million customer ballots). Sprint LTD's preference would be not to ballot for the BPP preferred carrier, but if required, each of Sprint's customers would have to be polled (complex customers would receive one ballot) and the information stored in Sprint LTD's Service Order Entry process and down-loaded to Sprint LTD's LIDBs.

10. Trunking Rearrangements:

Detailed trunk studies have not been completed at this time. Therefore, the cost estimate is based on the potential rearrangement and trunk additions that will be required at the approximately 200 end offices that have direct IXC trunking.

11. Equal Access End Office (EAEO) Modifications:

Modifications to the end office signaling format may be required to deliver the 1+ PIC from the Sprint LTD end offices to the operator tandems (if the 1+ PIC is used as a default routing) and have been reflected in this cost estimate. If the ultimate design did not require such modifications, this cost would not be incurred. Also, OSS7 signaling from all end offices to the tandem would speed up call completion but is not included in the current cost estimate.

ONGOING ANNUAL EXPENSES:

1. Additional Annual Operator Expense:

Even with AABS in place, it is anticipated that an additional 250 operators will be required to staff the 100 additional operator positions and accommodate this increase in operator traffic. Thus Sprint LTD cost estimates reflect this addition.

2. AABS Maintenance:

Current vendor price quotations indicate that some vendors will charge an ongoing monthly maintenance and/or right-to-use expense for both hardware and software for AABS, and such expense is reflected in the accompanying cost estimate.

ONGOING ANNUAL OFFSETS:

1. LIDB Queries:

Under BPP, the LIDB validation query function will be performed as part of the BPP function. Thus, IXCs will no longer pay for LIDB queries separately, but will pay for the LIDB query as part of the per-message BPP charge.

2. 0- Transfer:

BPP will supersede the requirement for 0- transfer service, since all 0+/0- interLATA calls will route to the LEC operator tandem in a BPP environment.

ANNUAL REVENUE REQUIREMENT ASSUMPTIONS:

1. 5 year amortization of investment, and 5 year levelization of initial and annual expenses.

2. 10.05% cost of capital

3. 50% debt ratio

4. 8.84% cost of debt

5. 11.25% cost of equity

DEMAND ASSUMPTIONS:

Estimated demand for BPP is 100,000,000 call attempts per year for messages originating from Sprint LTD end offices for which Sprint LTD performs operator services. This estimate is derived from historical data relating to message volumes at the time that Sprint LTD performed interLATA operator services for IXCs. Sprint LTD has no data with which to project message growth.

This estimate does not differentiate between BPP and dial-around calls. Sprint LTD has no basis for predicting how traffic will split between BPP and dial-around once BPP is implemented. In any case, Sprint believes that BPP implementation costs should be recovered from all traffic.

BILLED PARTY PREFERENCE

SPRINT LTD COST ESTIMATE

	SITES/ NUMBER	HARDWARE COST PER	SOFTWARE/ EXPENSE COST PER	HARDWARE	SOFTWARE/ EXPENSE
ONE-TIME CAPITAL and SOFTWARE/EXPENSE:					
1. AABS functionality	31	$1,030,000	$410,000	$31,930,000	$12,710,000
2. OSS7 capability/direct credit card routing	31		$600,000		$18,600,000
3. New STP pairs	2	$1,215,000	$480,000	$2,430,000	$960,000
4. Tandem upgrades	15	$675,000		$10,125,000	
5. Operator positions	100	$12,625		$1,262,500	
6. LIDB/DBAS modifications/upgrade	1		$2,000,000		$2,000,000
7. SOE/CRB and DBAS feed modifications	1		$2,000,000		$2,000,000
8. Billing systems modifications	1		$1,000,000		$1,000,000
9. Bill inserts			$100,000		$100,000
10. Trunking rearrangements	200		$30,000		$6,000,000
11. EAEO signaling modifications	300		$8,000		$2,400,000
TOTAL				$45,767,500	$45,770,000
ONGOING ANNUAL EXPENSES:					
1. Additional annual operator expense	250		$35,000		$8,750,000
2. AABS maintenance	31	$85,500	$16,500		$3,162,000
TOTAL					$11,912,000
ONGOING ANNUAL OFFSETS:					
1. LIDB queries					$3,900,000
2. 0- Transfer					$2,200,000
TOTAL					$6,100,000

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